

# How to prepare state returns in states that do not recognize Same-Sex Marriages using TaxWise® Online and/or TaxWise® Desktop

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**Note:** This document is intended to provide guidance to VITA/TCE sites on three alternatives available for preparing State Returns in those states that do not recognize Same-Sex Couple Marriages when using TaxWise® software. The first scenario is the most complicated but allows for e-filing of both Federal and State returns for States that allow “**Unlinked**” returns. The second and third scenarios require paper filing but are far less complex.

## Scenario 1: Use TaxWise® Online or TaxWise® Desktop

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### Situation:

- Volunteer prefers to e-file all Federal and State returns
- Single / HOH State returns must be filed UNLINKED
- Joint Federal return filed AFTER both state returns are accepted

### Process:

Before you begin the State return, verify the State laws directly from the state. In addition, make sure your State allows returns to be e-filed **unlinked** to the Federal tax return. If the State does not allow unlinked State tax returns, consider using one of the other two scenarios.

To prepare and transmit separate electronically filed State tax returns, use the following steps:

### Preparation of State Returns for e-filing:

1. Prepare two separate Federal returns with their associated State returns, one for each taxpayer. These will most likely be single taxpayer filing status. A taxpayer can only claim as head of household (HOH) if he/she qualifies.
2. Clearly separate each taxpayer’s income, deductions, and expenses before preparing their Federal returns. Taxpayers qualifying for the same deductions or expenses should make the determination on who will claim itemized deductions, unless State law makes this determination for them.
3. Enter the two letter State abbreviation for the State return.
4. Mark both Federal returns types as “**E-FILE Only**” on the Main Info Sheet.

<b>State Information</b>		If you are not preparing a state return, check here <input type="checkbox"/> or fill in state information below	
Full year resident:	NC and <input type="text"/>	Part-year:	<input type="text"/> and <input type="text"/>
		Nonresident:	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
<b>Type of Return</b>	<input type="radio"/> Bank products	<input checked="" type="radio"/> E-file ONLY	<input type="radio"/> Paper

- On the State tax return navigate to the question; “**Do you want to electronically file this return?**” and select “Yes”.
- On the State tax return navigate to the question; “**Check here if you want to file this return as unlinked**” and check the box.

<p><b>Do you want to electronically file this return?</b> <input checked="" type="radio"/> Yes <input type="radio"/> No</p> <p>Check here if you want to file this return as unlinked: <input checked="" type="checkbox"/></p>
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- Ask the preparer to ensure the state return is unlinked for both e-filed State returns.
- When both returns are completed, quality reviewed, reviewed and signed by the taxpayer, there should be two individual Federal returns and two associated e-filed State returns.
- Each State return can be e-filed as State Only.** CCH Small Firm Services (SFS) - TWO will e-file the State return with the associated Federal forms even though the Federal return is not being e-filed. **NOTE: TO E-FILE THE CORRECT RETURN, CLICK ON THE SUBMIT EFILE ICON, THEN SORT BY “AGENCY” AND SELECT THE UNLINKED STATE RETURN ONLY. DO NOT SELECT THE FEDERAL/”US” RETURN.**

Select All	SSN/EIN	Name	Return Stage	Last Edited	Agency	MeF	Linked	Fed/State	IRS	Efile Id
<input type="checkbox"/>	227-00-7364	ALBRIGHT, LILY		1/23/2014	US	T				00736420140230000005
<input checked="" type="checkbox"/>	227-00-7364	ALBRIGHT, LILY		1/23/2014	NC	T	F	F		00736420140230000006

- Once the two State returns are transmitted, go back into each Federal return, at the bottom of the Main Information Sheet and type something (a period will work). This will change the “**US e-file**” status from displaying as “**created**” on the Federal return and assist the volunteer transmitter from inadvertently e-filing the Federal return while waiting on the State acceptance.

TIN	Name	US e-file	State e-file	Stage
<a href="#">227-00-7364</a>	ALBRIGHT, LILY		<a href="#">Sent</a>	<input type="text"/>
<a href="#">233-00-7364</a>	DALTON, OAK		<a href="#">Sent</a>	<input type="text"/>

## Preparation of Federal Return for e-filing:

To prepare the MFJ/MFS Returns, wait until the State returns are accepted before the MFJ/MFS Federal return is prepared. **NOTE:** It may take some time for the State returns to be accepted. Suggest that the couple come back another day to complete the Federal return. **If the taxpayer does not want to come back, consider using scenario three.**

Decide which Federal return will represent the primary taxpayer. The primary taxpayer's name and Social Security Number will be listed first on the Federal tax return. Open the primary Federal tax return:

1. Go to the Federal Main Info Sheet.
2. Delete the State return information by going to the State Information section to check the box for **not** preparing a State return and delete the State's two letter abbreviation from the box.
3. Complete the Federal return by adding the other taxpayer to the return on the Main Info Sheet.
4. Change the filing status to MFJ.
5. Prepare MFJ Federal return with no State return as you would prepare a standard married filing jointly return.
6. Add all of the other taxpayer's income/expense forms etc.
7. Create the e-file.
8. Have the return quality reviewed, re-create the e-file, and print. Have taxpayers review and sign the tax return.
9. E-file the joint Federal return (**after both State returns have been accepted**).

**Sites should be strongly encouraged to change the return "Stage" to "Paper" or "DOMA" to discourage accidentally e-filing the "other taxpayer" Federal return.** This method can be used to track the returns the sites do not want to transmit. For additional guidance on creating custom "Return Stages", the site administrator should refer to their TaxWise User Guide.

All Returns				
TIN	Name	US e-file	State e-file	Stage
<a href="#">227-00-7364</a>	ALBRIGHT, LILY	<a href="#">Accepted</a>	<a href="#">Accepted</a>	<input type="text"/>
<a href="#">233-00-7364</a>	DALTON, OAK		<a href="#">Accepted</a>	DOMA

## Scenario 2: Use TaxWise® Desktop (TWD) Alternative Preparation Solution (APS) and TaxWise® Online

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### Situation:

- Requires use of TWD APS and TWO
- Volunteer prefers to e-file Federal return and mail State returns
  - Volunteer e-files Federal return
  - State returns are printed by volunteer and filed by taxpayers mailing paper returns

### Process:

All TaxWise Online (TWO) users may use the TWO contingency plan. This plan allows TWO users to have a “work offline solution” involving TaxWise Desktop that allows users to continue operations in the event of future service interruptions or outages.

This means that TWO users may load their copy of the TaxWise Desktop CD to prepare DOMA related (Same-Sex Marriage Couple) tax returns.

### Preparation of Federal Return for e-filing:

1. Complete the MFJ return using the TaxWise Desktop (TWD) APS software with no State returns.
2. Transfer the Federal return to TWO.
3. E-file the Federal return from TWO.

### Preparation of State Returns for filing by paper:

1. Go back into the TWD and use the “**What if**” **Mode** to divide the returns and change the filing status to Single (or HOH if the taxpayer qualifies).
  - a. **Note:** For detailed information on preparing a tax return using the “**What if**” **Mode** in TWD, review the “How to prepare State Defense of Marriage Act returns using TaxWise Desktop” document.
2. Print the two State returns and have the taxpayers mail their State paper tax returns to the appropriate State tax office.

## Scenario 3: Use TaxWise® Online or TaxWise® Desktop

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### Situation:

- Volunteer prefers to file paper State return and e-file Federal return
  - State returns are printed by volunteer and filed by taxpayers mailing paper returns
  - Volunteer e-files Federal return

### Preparation of State Returns for filing by paper:

1. Prepare two separate Federal returns with their associated State returns, one for each taxpayer. The filing status will be MFS, Single, or HOH (if the taxpayer qualifies).
  - a. **Note:** Taxpayers who qualify should strongly be encouraged to use the Single or HOH filing status on the State return instead of using MFS. MFS may cause the taxpayer to lose credits or deductions.
2. Clearly separate each taxpayer's income, deductions, and expenses. Taxpayers qualifying for the same deductions or expenses should make the determination on who will claim itemized deductions, unless State law makes this determination for them.
3. Enter the two letter State abbreviation for the State return.
4. Print the State returns for mailing to the appropriate State tax office.

### Preparation of Federal Return for e-filing:

Decide which Federal return will represent the primary taxpayer. The primary taxpayer's name and Social Security Number will be listed first on the Federal tax return. Delete the secondary taxpayer's Federal and State returns.

1. Open the primary Federal tax return.
2. Go to the Federal Main Info Sheet.
3. Change the filing status to MFJ.
4. Delete the State return information from the MFJ Federal return by going to the State Information section to check the box for **not** preparing a State return and delete the State's two letter abbreviation from the box.
5. Complete the Federal return by adding the other taxpayer to the return on the Main Info Sheet. Prepare MFJ Federal return with no State return as you would prepare a standard married filing jointly return.
6. Add all of the other taxpayer's income/expense forms etc.
7. E-file only the Federal MFJ return.